Affidavit of Stan Sigman

AFFIDAVIT OF STAN SIGMAN

STATE OF TEXAS)
) SS
COUNTY OF BEXAR)

STAN SIGMAN, being duly sworn, deposes and says:

1. My name is Stan Sigman. I am President and CEO of SBC Wireless, Inc. ("SBCW"). In that capacity, I am responsible for managing all of the wireless services of SBC Communications Inc. These services include the cellular services offered within SBC's traditional five-state territory (which are marketed under the Southwestern Bell brand name), the PCS services offered in California (which are marketed under the Pacific Bell Mobile Services brand name), and cellular services offered in other parts of the country (which are operated under the Cellular One brand name).

2. The purpose of this affidavit is to explain that SBC does not plan, and at the time of the merger agreement with Ameritech Corporation had no plans, to provide local exchange service in Chicago or any other location in Ameritech's traditional five-state territory through the wireless platform or otherwise. SBC had looked at the possibility of such entry but decided in mid-1997 not to pursue it.

Consideration of Potential Local Exchange Entry Through Wireless Platforms

3. In late 1995, SBC began to consider the possibility of offering local exchange service in the areas in which Cellular One operates. Those areas include

Boston, Chicago, Washington/Baltimore, and upstate New York including the "Rochester" area). We had successfully developed and marketed cellular service in those areas and thought selling additional services to our wireless customers would be a profitable business strategy. Specifically, we had long sought relief from the Modification of Final Judgment ("MFJ") to permit us to offer our customers long distance services, and thought that packaging wireless, long distance, and local exchange services would be a powerful service offering. We thought this offering would be useful in attracting new wireless customers and in reducing churn among existing customers. We also thought that customer acquisition costs could effectively be reduced, as those costs would be allocable to multiple services. This was in line with SBC's long established corporate strategy of expanding out-of-region only where we have facilities, name recognition and customer base.

4. Regulatory developments were also permitting us to consider this type of service offering. Many states, including New York and Illinois, were reducing local exchange entry barriers even prior to enactment of the Telecommunications Act of 1996.

5. Thus, senior SBC management asked us in 1996 to examine the possibility of offering local exchange services through our wireless business in the four major out-of-region territories we serve (Boston, Chicago, Rochester, and Washington/Baltimore). We decided that the best way to see whether this strategy would work was to try it.

6. Rochester was chosen as the test market for two main reasons. First, Rochester was the smallest of our out-of-region markets. We did not want to try this untested strategy in our larger markets. We wanted to learn whatever lessons we could in Rochester before deciding whether and how to deploy the strategy in our larger markets. Second, regulatory developments favoring entry were further along there than in any of our other out-of-region markets, (for example, resale rates were established in tariffs which eliminated the need to engage in time consuming efforts to negotiate an interconnection agreement and order flows) so we expected that entry would be easier in Rochester at that time than it would be in the other out-of-region markets.

The Rochester Experience

7. We began reselling local exchange service from the ILEC, Frontier in Rochester in early 1997. As a part of our Rochester entry efforts, we hired and trained installation personnel and purchased two vans to allow SBC personnel to make customer premise visits. We established an internal order flow process and trained our internal sales and other personnel on how to interact with both the customers and the ILEC to activate customers and undertook all other efforts necessary to enter the local exchange business in Rochester. Even with all of this effort, the results were not what we anticipated. Although we marketed our local exchange services only to our existing or new cellular customers, most of our local exchange customers were neither existing Cellular One customers nor were they new customers signing up for both our cellular and local exchange services. We therefore did not achieve the critical objective of our

plan: selling more services to our wireless customers. This development meant that local exchange entry had no measurable effect on reducing our wireless churn rate and did not help us in attracting new wireless customers. It also meant that customer acquisition costs were not effectively reduced because those costs were not being allocated among multiple services per customer.

8. There were many other disappointments. Many of our customers were individuals who had been disconnected from or unable to obtain service from the incumbent local exchange carrier because of non-payment or bad debt histories. We, too, had difficulty collecting payments from these customers. Moreover, the customers we attracted were not generating the long distance and vertical service revenues that we had forecasted.

9. For these reasons, we determined that local exchange entry in Rochester was not profitable. Although we expected that local exchange entry would not be profitable in the short-run, we had expected it to become profitable within a few years. Our actual experience, however, led us to believe that local exchange service in Rochester would not become profitable in the foreseeable future.

Other Lessons Learned from Rochester and Other Studies

10. While the experiment in Rochester was on-going, SBCW staff in our other out-of-region markets were studying local exchange entry in their areas. These efforts

never reached the point of being approved business plans and were quite embryonic. For example, although SBCW obtained local exchange certifications from the Illinois regulatory commission, SBCW never commenced interconnection negotiations with Ameritech or took any other concrete steps toward entry.

11. As a result of these experiences, we learned that the wireline and wireless businesses are very different. For starters, the networks are configured differently. Our wireless networks are configured for wireless traffic patterns, not the very different traffic patterns of local exchange service. While we had never contemplated using our cellular spectrum for local exchange purposes, we did anticipate using the backbone network to carry local exchange calls. The local exchange networks carry many more calls and calls of much longer duration than wireless networks, even on a per subscriber basis. As a result, we found that our wireless backbone networks (such as our microwave and leased facilities) simply did not have the excess capacity necessary to handle the greater volume and call length of local exchange traffic.

12. We also learned that the sales distribution channels were entirely different. The sales agents used in the wireless business (for example, car audio equipment dealers) are well situated to sell mobile service; they are not well situated to sell basic local exchange service.

13. We discovered that our wireless brand name, which we thought would be a strength, did not help in selling wireline service. People associated Cellular One with

mobile service, and not with wireline local exchange service. While our market research conducted in connection with our Rochester experiment indicated that at least a third of our own customers would consider buying local exchange service from us, the results did not substantiate this. Given our plan to market local exchange service only to these customers, these results were devastating.

14. These differences between wireline and wireless service and the nontransferability of our cellular brand name had important consequences for management. Entering the local exchange through the wireless business would not be easy, and the people running our local wireless businesses were experts in the wireless business. The differences we were recognizing meant that the wireless managers were not necessarily the right people for this task. What was even of greater concern to me, their performance of this task would distract them from what they do best – running what we view as the premier wireless business in the country.

15. Moreover, it was not a good time for this type of distraction. With PCS coming on board, our cellular businesses were under new competitive attacks. Our local wireless management needed to stay focused on the core wireless business.

16. These same considerations led SBC management in late 1997 to reverse a decision made a year earlier about the organizational structure for SBC's wireless operations. In the fall of 1996, SBC decided to put the in-region cellular operations in the same corporate chain of command as SBC's wireline operations. (The in-region properties were then taken out of SBCW.) At the time, SBC thought that this step would

improve sales and marketing of both wireline and wireless services to in-region customers. During the following year, SBC noticed that the relative performance of SBC's in-region cellular operations deteriorated as compared to SBC's out-of-region operations. SBC management concluded that combining the in-region wireless and wireline operations in the same corporate chain distracted the focus of the in-region wireless business. The decision was made in late 1997, therefore, to reverse the prior decision and to place all of SBC's wireless operations in the same business unit, that is, SBCW.

Decision Not To Pursue Local Exchange Entry Through Wireless

17. The experience in Rochester and the additional considerations set forth above led me to decide in the Summer of 1997 not to pursue local exchange entry in the other out-of-region areas, including Chicago, through our wireless operations. All efforts in Chicago and in the other out-of-region areas analyzing possible entry stopped at that time and have never been resumed. As the 1998 budget for the wireless operations of SBC was assembled in the summer and approved in the fall of 1997, funds for the deployment of local exchange service in out-of-region areas other than Rochester were not budgeted.

18. With respect to Rochester, I decided later in 1997 to take steps to reduce our exposure. To protect the goodwill in our brand name, we will, at least for now, continue to provide service to our current local exchange customers. We have,

however, taken steps to minimize the likelihood of attracting any new customers. For example, we have stopped paying commissions to our employees and our sales agents for attracting local exchange customers. It is our experience that such a step effectively curtails marketing and sales activity and, consequently, new enrollments. We have also amended our local exchange tariff to provide that we will offer this service only to cellular customers.

19. The lessons we learned in Rochester and in our other studies are reflected in SBC's "National-Local" entry strategy. Even in markets in which SBC has out-of-region wireless operations (such as Boston and Washington), SBC's National-Local Strategy will not be implemented through the wireless platform. Wireless service may be included in packages offered to potential customers, but the local exchange and wireless businesses in these areas will be entirely different. They will have different management, assets, and employees. In my view, this confirms the correctness of my decision not to enter local exchange markets through the wireless platform.

Stan Sigman

Subscribed and sworn to before me this 20th day of July, 1998.

Valerie L James
Notary Public

VALERIE H. JAMES
NOTARY PUBLIC
State of Texas
Comm. Exp. 10-09-99

Pursuant to 47 C.F.R. §§ 1.743(c), 1.913(c), 5.54(c), the preceding document is a copy of the original signed affidavit, which was filed as an attachment to Exhibit 2 to the Form 490 applying for the Commission's consent to transfer control of Part 22 licenses held by Detroit SMSA Limited Partnership from Ameritech Corporation to SBC Communications Inc. That Form 490 was filed concurrently with this application.

Affidavit of Stephen M. Carter

BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

AFFIDAVIT OF STEPHEN M. CARTER

Stephen M. Carter, being of lawful age and duly sworn, hereby deposes and states:

I. INTRODUCTION AND QUALIFICATIONS

1. My name is Stephen M. Carter. Currently, I am President of SBC Telecommunications, Inc.'s Special Markets Group, a position I have held since May 1997. SBC Telecommunications, Inc. is a wholly owned subsidiary of SBC Communications Inc. In my position I am responsible for wholesale operations, including marketing, sales and operations for interexchange carriers and local wholesale carriers, as well as national accounts, operator services, and public communications for Southwestern Bell Telephone Company ("SWBT"), Pacific Bell, and Nevada Bell. I am also ultimately responsible for entering interconnection agreements with the wholesale customers of SBC's subsidiaries in compliance with Sections 251 and 252 of The Communications Act of 1934, as amended by the Telecommunications Act of 1996 (the "1996 Act," or "Act"). Part of my responsibilities have been to put in place the people and the resources necessary to meet the needs of the local wholesale market segments. Prior to my current position, I was in charge of all marketing, sales and operations for SWBT's inter-industry customers and national

account customers, as well as operator services and public communications in the five-state SWBT region (Texas, Arkansas, Kansas, Oklahoma, and Missouri).

2. I have been employed by SBC since 1987, when I became Managing Director of its newly created United Kingdom subsidiary, Southwestern Bell Telecom, Ltd. In 1993, I was appointed President and Chief Executive Officer of Southwestern Bell Telecom, Ltd. I have a Master's Degree from the Business School at the City of London University in England and am a member of the Chartered Institute of Management Accountants in London.

3. The purpose of my affidavit is: 1) to establish that SBC is committed from the highest levels of our company to open our local exchange networks in compliance with the 1996 Act and thus facilitate market entry by other local service providers; 2) to explain the extraordinary measures SBC actually has undertaken to open its local networks, including some measures not even required by the Act; 3) to describe the resources we have deployed on an expedited basis to effectively serve our local wholesale customers; and, 4) to show that SBC's open market initiatives have enabled our local wholesale customers to avail themselves of our resold telecommunications services, unbundled network elements and interconnection to provide service to their end user customers representing more than one million access

lines in our operating areas. My testimony in these areas is further supported by the detailed information set forth in various attachments, which were prepared at my direction by employees in my organization.

II. SBC'S COMMITTMENT TO OPEN ITS LOCAL NETWORKS

4. SBC is committed from the highest levels of the company to open its local networks to enable others to enter the local exchange telecommunications markets in which SBC operates. This commitment personally was demonstrated to me the very day the Act was signed into law. We knew in advance that the President of the United States was scheduled to sign the Act on February 8, 1996. Several days before the Act was signed, our Chairman, Ed Whitacre, called all SBC senior managers to attend a meeting on February 8, 1996, in San Antonio, Texas. At the meeting, Mr. Whitacre explained that the day was historic and that we should remember it well because our business would forever change with the President's signature. He emphasized our company was required to open its local networks to firms who desired to enter our markets and that the corporation and its managers from the highest levels should be committed to doing so. He personally charged every manager at that meeting, including me, with the responsibility of complying with the 1996 Act.

5. The seriousness of this effort was reflected in the fact that SBC was the first incumbent LEC to negotiate an interconnection and resale agreement under the 1996 Act. In fact, SBC has entered into over 370 agreements with local service providers in SBC's seven state operating region. The vast majority of these agreements has been entered into after successful, voluntary negotiations. We have only had the need for 26 arbitrations before state commissions after an impasse had been reached during negotiations. Details of these agreements are included in Attachment 1.

6. SBC's corporate commitment to open its local networks also is reflected in our experiences with Pacific Bell shortly after our merger. Due to its large telecommunications business and the actions of the California PUC, California has been a magnet for local service providers from an early date. At the time our merger closed, the large and unexpected volume of local wholesale customer orders had greatly strained Pacific Bell's operating ability to serve local wholesale customers, as reflected in complaints that were filed by these customers before the CPUC concerning ordering and provisioning. Consistent with SBC's dedication to open its local exchange markets and serve local wholesale customers, we committed significant SBC resources to helping Pacific Bell address its operating challenges. The newly merged SBC

organization worked diligently and has substantially resolved most, if not all, of the early operating problems that were being experienced. A more detailed narrative of these experiences is set forth in Attachment 2.

III. SBC HAS TAKEN EXTRAORDINARY STEPS TO COMPLY WITH SECTION 251 AND OPEN ITS LOCAL NETWORKS

7. To date, SBC (including SWBT, Pacific Bell, and Nevada Bell)has spent more than $1.1 billion to open its networks to local wholesale customers; and by the end of 1998, approximately $1.5 billion will have been spent. More than 3,300 SBC employees have worked and continue to work to implement Sections 251 and 252 and the interconnection agreements which have been entered into pursuant to the 1996 Act. These implementation efforts address items such as customer service, operations support systems ("OSS"), number portability, interconnection, trunking, physical and virtual collocation arrangements, service ordering, and provisioning and maintenance centers. The success of these efforts is illustrated in Attachment 1.

8. SBC has made extraordinary progress in complying with Sections 251 and 251 and opening its local markets and implementing the local competition requirements of the 1996 Act throughout its seven states. SBC provides local service providers access to the same EASE and StarWriter interfaces used by customer service

representatives of SBC subsidiaries for pre-order and ordering functions. In addition, SBC subsidiaries have gone beyond the requirements of the Act providing additional new OSS interfaces, namely, DataGate and Verigate for pre-order, and EDI and LEX for ordering. SBC planned and implemented these additional interfaces to accommodate local service providers' needs, while also meeting regulatory expectations. To allow local wholesale customers and regulators to confirm the high level of service SBC is providing, we have developed and implemented more than 65 performance measurements covering the different aspects of our interactions with local wholesale customers.

IV. SBC HAS EXPENDED ENORMOUS RESOURCES TO SERVE LOCAL WHOLESALE CUSTOMERS

A. Account Teams

9. Among SBC's first steps after the Act was enacted was establishment of teams to negotiate with companies interested in providing local services. SWBT, for instance, established a Competitive Provider Account Team ("CPAT"), with an Account Manager from the CPAT assigned to each local wholesale customer to act as a liaison throughout the negotiation process, and as an intermediary once agreements are implemented. In addition, for the largest interexchange carriers that were already served by a dedicated account team, we added local service to the

existing account team's responsibilities. The Account Manager generally serves as the primary interface with the local wholesale customer and is responsible for facilitating meetings between the wholesale customer and SWBT technical personnel, providing information to the wholesale customer, and assisting to implement signed agreements.

10. The CPAT is structured to grow as local wholesale activity increases, and SWBT has continually added personnel to accommodate its local wholesale customers' needs.

B. Operations Support Systems (OSS)

11. An important initiative has been developing the systems and procedures local wholesale customers use to order local facilities and services from SBC. In order to provide nondiscriminatory access to SBC's OSS, which local wholesale customers now use to place their own local service orders, SBC developed several new facilities and organizations. Since passage of the 1996 Act, SBC has spent more than $50 million for such activities as acquiring new OSS hardware and increasing processing capacity, enhancing existing systems, and developing new applications. These expenditures are in addition to annual operating costs of more than $80 million in 1997 to receive and process local wholesale customers' orders and service requests.

12. SBC provides its local wholesale customers access to state-of-the-art OSS capabilities, including the customer's choice of multiple electronic interfaces. Various government officials have acknowledged that the systems SBC has made available to local wholesale customers are models for the industry. More than 220 local wholesale customers have submitted orders via SBC's OSSs for ordering, provisioning, and billing of local exchange services. Since passage of the 1996 Act, SBC has processed more than 2.2 million service orders in its seven-state region. In June 1998 alone, SBC processed through its OSSs more than 173,000 competitive local exchange carrier (CLEC) orders in its seven states. SBC is, in fact, offering pre-order, and ordering interfaces that are used by SBC's own retail representatives. In addition, SBC has created new interfaces for the exclusive use of local wholesale customers so not only do the local wholesale customers have the same systems used by SBC retail service representatives, they have an even greater variety of interfaces than SBC's own retail employees. More detail concerning these efforts is included in Attachment 3.

C. SBC Local Wholesale Customer Support Centers

13. SBC has also ensured that local wholesale customers have access to ample numbers of highly trained personnel for transactions where human involvement is needed

or desired by local service providers. A total of 1,818 Local Wholesale employees support the operational needs of the CLEC's across the seven states. In its five-state region, SWBT has established Local Service Centers ("LSC") staffed by 661 employees in Dallas and Fort Worth to provide CLECs with a single point of contact for ordering, provisioning, and billing related to interconnection, UNEs, and resale. The LSC is available to local wholesale customers when they choose not to use wholly mechanized processes, or for complex transactions that are performed manually for SWBT retail operations and local wholesale customers alike.

14. Pacific Bell similarly established Facilities Local Service Centers ("FLSC"), staffed by 162 employees in San Francisco and Anaheim to provide facilities-based local service providers in California with a single point of contact for ordering, provisioning, and billing related to interconnection and UNEs. The FLSC serves facilities-based local wholesale customers when they choose not to use wholly mechanized processes, or for complex transactions that are performed manually for Pacific Bell retail operations and local service providers alike. There is also a separate LSC in Nevada to serve local wholesale customers in that state.

15. Pacific Bell's Resale Local Services Centers ("RLSC"), also located in San Francisco and Anaheim and also

used by Nevada Bell, serves as a single point of contact for pre-ordering, ordering, and billing of resold services. The RLSC has hired and trained a staff of almost 800 employees and incurred operating expenses of more than $40 million in 1997, all to process local wholesale customers' resale service requests. Like the FLSC, the RLSC has ample capacity to serve local wholesale customers. Since May 1997, Pacific Bell has tripled the RLSC's capacity to over 5,400 local wholesale customer requests per day, which compares to actual demand of approximately 2,000 orders per day in February 1998. The RLSC processed more than 476,000 service requests on behalf of 46 local wholesale customers in 1997 and over 250,000 orders between January and June 1998.

16. To handle provisioning, testing, maintenance, and repair functions for all interconnection facilities, resold services, and UNEs provided to local wholesale customers, SWBT, Pacific Bell and Nevada Bell have established Local Operations Centers ("LOCs") in Fort Worth, Texas and in Pasadena, California. For the period of January through May 1998, the SWBT and Pacific Bell LOCs together responded to more than 250,000 calls from local wholesale customers.

D. Training Offered to Wholesale Customers

17. SBC's commitment to help local wholesale customers do business with our companies extends even further than the personnel and organizations created to interface with local wholesale customers. SBC has made considerable effort to communicate and develop educational and informational materials for local wholesale customers. We offer a series of workshops and OSS classes to educate local wholesale customer personnel on how to order telecommunications services for resale, unbundled network elements, interconnection and local number portability. More detail on these efforts is included in Attachment 4.

E. SBC's Responsiveness to Emerging Implementation Issues

18. The transition from franchised exclusive LECs to multi-provider local marketplaces has not been easy or simple for SBC or for local wholesale customers. But where problems have arisen, SBC has worked to resolve them cooperatively and conscientiously. Indeed, SBC continually strives to improve its procedures to provide better service to its local wholesale customers. SBC has established a team to address and resolve issues raised by our local wholesale customers. The objective of the team is to define and to put into practice procedures that address ongoing escalation requirements for both major and minor

issues that are sure to arise in the evolving telecommunications marketplace.

19. The approach that SWBT believes is the most effective is to offer two avenues for the resolution of problems encountered by our local wholesale customers. One of those avenues is to resolve problems through the Account Manager assigned to each of our local wholesale customers. When a local wholesale customer requests information, the Account Manager is required to respond to the request in a timely fashion. If, however, the Account Manager is unable to provide a response or resolve the matter, a formal internal escalation process is initiated after a specified time frame. The process provides for the matter to be automatically escalated to the next higher level of management.

20. The second avenue is through escalation beyond the normal Account Manager process to the Tier II Technical Support and Customer Action Team. This escalation can occur in one of two ways; the Account Manager may proactively escalate an issue for resolution, or the local wholesale customer may contact the Tier II team directly. This action team has overall responsibility for direct interface with all SWBT internal organizations in order to solve local wholesale customer problems. A "Hotline" will be established to provide access to this Tier II action team 24

hours a day, 7 days a week. Examples are included in Attachment 5.

F. Performance Measurements

21. SBC's performance measurements mirror the model set of measurements advocated by the U.S. Department of Justice (DOJ). The DOJ has reviewed SWBT's performance measurements and developed a generic set of performance measurements to which SWBT has agreed. The DOJ has confirmed that these measurements are presently "sufficient, if properly implemented, to satisfy the Department's need for performance measures for evaluating a Section 271 application."[1] Where there are no analogous services in SBC's retail operations to services SBC offers to local wholesale customers, SBC has adopted specific performance standards to ensure service parity. These measurements provide proof that SBC is providing local wholesale customers a meaningful opportunity to compete and is providing items in a non-discriminatory manner. Where the measurements bring a problem area to light, SBC will conduct a root-cause analysis and take corrective actions as needed. Moreover, in response to issues raised by the Texas PUC in its recent Order, SBC will develop and implement additional

[1]Letter from Donald J. Russell, DOJ, to Liam S. Coonan, SBC at 1 (Mar. 6, 1998).

performance measurements as needed.

V. LOCAL WHOLESALE CUSTOMERS ARE PROVIDING COMMERCIAL ALTERNATIVES TO SBC

22. SBC management and employees have worked diligently and successfully to comply with the local market opening provisions of the 1996 Act and related federal and state rules by facilitating entry into the local exchange market. These efforts have resulted in SBC offering carriers a meaningful opportunity to compete in our markets. The result of these efforts is that local wholesale customers now serve more than one million local resale and facilities-based lines in SBC's states – more lines than local wholesale customers have gained from any other regional Bell company. This fact demonstrates that SBC has provided local wholesale customers with a meaningful opportunity to compete and that our local markets are indeed open. Attachment 1 provides detailed information on SBC's success in opening its markets and the extent to which local wholesale customers are using products made available by SBC in each of its seven in-region states.

23. The strategy for many local wholesale customers is to target the most profitable "high value" users, usually in densely populated urban/metropolitan areas. The market strategy in this regard is illustrated in Attachment 6. Wholesale customers' success in the local market may be

demonstrated by the number of "high value" customers they are serving, assuming their publicly touted marketing strategy is working. This targeted marketing strategy is designed to allow local wholesale customers to attract a higher percentage of the market share measured in terms of revenue rather than the raw number of lines indicates.

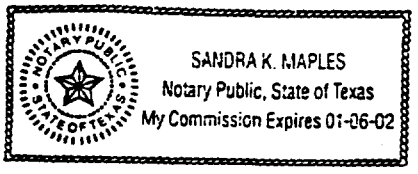
VI. CONCLUSION

24. SBC has committed massive resources to implementing the Act and opening the local market. Regulatory bodies examining the issue have admitted this fact. The proposed merger with Ameritech will only increase SBC's efforts to open its markets and serve the public interest by combining the experience and efforts of the to-be-merged companies in this regard. SBC's record in opening its networks in the Southwestern Bell, Pacific Bell, and Nevada Bell areas demonstrates SBC's commitment to its obligations under the 1996 Act. That has been the case with our merger with Pacific Telesis and there is no reason to expect it will be any different with Ameritech.

This concludes my affidavit.

Stephen M. Carter

Subscribed and sworn to before me this 20th day of July, 1998.



Sandra K. Maples
Notary Public

My Commission expires: 01-06-02

INDEX OF ATTACHMENTS

Pursuant to 47 C.F.R. §§ 1.743(c), 1.913(c), 5.54(c), the preceding document is a copy of the original signed affidavit, which was filed as an attachment to Exhibit 2 to the Form 490 applying for the Commission's consent to transfer control of Part 22 licenses held by Detroit SMSA Limited Partnership from Ameritech Corporation to SBC Communications Inc. That Form 490 was filed concurrently with this application.

LOCAL WHOLESALE CUSTOMER SUCCESSES IN SBC TERRITORY

The following chart shows how local wholesale customers have been successful in obtaining local resale and facilities-based lines in SBC's seven states, as of the end of June 1998:

		Resale Total	Resale Residential	Resale Business	Resale Priv. Coin	Facilities Based Lines	Total Lines
a)	California:	255,011	130,332	115,778	8,901	261,051	516,062
b)	Texas:	284,243	195,089	77,649	11,505	59,082	343,325
c)	Kansas:	50,265	22,971	27,287	7	2,053	52,318
d)	Oklahoma:	21,428	17,019	4,382	27	17,446	38,874
e)	Arkansas:	14,588	13,211	1,377	0	11,147	25.735
f)	Missouri:	22,519	13,935	8,532	52	4,094	26,613
g)	Nevada:	1,908	338	1,570	0	13,048	14,956
RESOLD LINES:		**649,962**	392,895	236,575	20,492		
FACIL.-BASED LINES:						**367,921**	
SBC TOTAL CLEC LINES:							**1,017,883**

The following chart shows the number of interconnection agreements that have been signed and approved in each of SBC's seven states:

	Signed Agreements	PUC Approved Agreements	CLECs with Approved Certifications
Texas	146	118	164
Missouri	45	27	41
Kansas	44	29	55
Arkansas	39	30	23
Oklahoma	44	18	40
California	40	32	117
Nevada	16	13	60
TOTAL	374	267	500

SBC has provisioned more than 353,100 interconnection trunks to local wholesale customers. This represents the call carrying capacity on the local service provider networks for 3.5 million lines. Although disputes remain over the treatments of Internet traffic, SBC has exchanged more than 14 billion minutes of local and Internet traffic with local wholesale customers demonstrating that SBC has interconnected its networks with local service provider

networks. Local wholesale customers have attached their lines to over 370,000 of SBC's poles and occupy 1,568 miles of SBC conduit space.

Facilities-based local service providers have received more than 60,500 unbundled local loops and nearly 350 unbundled switch ports from SBC for their own use. The local wholesale customers are able to access these facilities, and interconnect with SBC's local networks, using 490 operational physical collocation arrangements and 58 operational virtual collocation arrangements. Over 170 central offices in SBC's local service areas host either physical collocation or virtual collocation. These central offices give the CLECs access to over 70% of the metro area access lines in California and access to over 25% of the metro area access lines in SBC's remaining areas. An additional 406 physical collocation arrangements are under construction. Operational physical and virtual collocation arrangements have been established in all of SBC's in-region states.

Local service providers have placed more than 500,000 end user listings in SBC's White Pages directories and have been assigned approximately 22 million telephone numbers for

use by their end users. More than 115 local service providers are using SWBT's Directory Assistance and Operator Call Completion Services, and 45 local service providers are using the systems of Pacific Bell and Nevada Bell.

SBC has ported nearly 85,000 former SWBT, Pacific Bell, and Nevada Bell telephone numbers to other local carriers. Each ported number represents one or more local telephone lines formerly served by SBC that now are served by a facilities-based local service provider.

Local service providers are also vigorously entering local markets in SBC's region through resale. Local service providers have gained nearly 650,000 resold lines, including 237,000 business lines and 393,000 residential lines. Local service providers have gained more than 20,000 private coin lines via resale.

Although SBC has no way of quantifying all the services provided by local service providers entirely over their own facilities, the information available to SBC through its own databases shows that facilities-based local service providers in SBC's service areas are serving at least 368,000 local lines over their own local telephone networks.

This number is based on 911 records in which the CLEC specifies this type of customer.

SBC's Section 251 / Checklist Provisioning Status

Data through: 6/98 (unless otherwise noted)
Shaded data through 5/98 (unless otherwise noted)

Date Produced: 7/20/98

Green, italicized, bolded data is corrected from previous edition.

#	CHECKLIST DESCRIPTION	PRODUCTS PROVIDED	AR	KS	MO	OK	TX	SWBT's 5 States	CA	NV	SBC TOTAL
1	Interconnection for the transmission and routing of telephone exchange service and exchange access at any technically feasible point within the carrier's network.	**Total Interconnection Trunks Provided to CLECs**	5,862	3,364	12,643	9,898	94,407	125,974	224,864	2,496	353,134
		· One Way Trunks (SBC to CLEC)	4,184	1,728	5,524	7,401	52,424	71,261	14,474	0	85,735
		· One Way Trunks (CLEC to SBC)	620	400	1,824	1,513	19,374	23,731	1,688	0	25,419
		· Two Way Trunks	858	1,236	5,295	984	22,609	30,982	208,502	2,496	241,980
		Physical Collocation *									
		· Operational Cages	6	3	9	15	61	94	393	3	490
		· Pending Cages	5	7	30	7	117	166	239	1	406
		Virtual Collocation *									
		· Operational Arrangements	2	6	8	5	37	58	0	0	58
		· Pending Arrangements	0	0	0	0	1	1	1	0	2
		Number of Collocated Wire Centers	3	4	9	13	41	70	100	3	173
2	Nondiscriminatory access to network elements. (In addition, See Items 3-6 below)	**Number of CLECs passing orders in 1998**	15	17	22	16	102	172	46	4	222
		Total orders processed (2/6/98 - 6/98) **	62,672	98,876	47,164	75,597	1,173,346	1,457,655	795,159	6,034	2,258,848
		· Manual	59,264	63,368	26,378	68,677	900,765	1,118,452	100% in 1998	6,034	
		· Electronic	3,408	35,508	20,786	6,920	272,581	339,203	0% in 1998	0	
		Total orders processed in 1997 **	19,035	41,476	6,396	22,832	641,098	730,837	491,327	3,511	1,225,675
		· Manual	19,035	28,972	6,309	20,408	495,077	569,801	~80%	3,511	
		· Electronic	0	12,504	87	2,424	146,021	161,036	~20%	0	
		Total orders processed in 1996 **	43,637	57,400	40,764	52,761	490,844	685,206	234,635	2,523	922,364
		· Manual	40,229	34,396	20,065	48,265	364,064	507,039	91,506	2,523	
		· Electronic	3,408	23,004	20,699	4,496	126,560	178,167	143,129	0	
		Total orders processed in June 1998 **	6,739	10,609	9,718	8,243	76,191	111,500	61,665	465	173,630
		· Manual	5,637	5,360	2,417	6,845	52,043	72,302	36,999	465	
		· Electronic	1,102	5,249	7,301	1,398	24,148	39,198	24,666	0	
3	Nondiscriminatory access to poles, ducts, conduits and rights of way.	· Total Number of Poles Attached (Note 1)	188	56	388	186	2,359	3,155	370,060	508	373,723
		· Total Feet of Duct Occupied (Note 1)	217,792	13,214	61,530	107,329	626,931	1,026,796	7,236,650	16,225	8,279,671
4	Local loop transmission from the central office to the customer's premises, unbundled from local switching or other services.	**Unbundled Loops**	1,195	361	1,620	1,345	331	4,852	52,092	3,591	60,535
5	Local transport from the trunk side of a wireline local exchange carrier switch unbundled from switching or other services.	**Unbundled Transport**									
		· Dedicated Transport Available?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
		· Shared Transport Available?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
6	Local switching unbundled from transport, local loop transmission or other services.	**Unbundled Switch Ports**	0	0	0	0	182	182	161	0	343
7	Nondiscriminatory access to 911 and E911, directory assistance, and operator call completion services.	· E911 Trunks (not included in Item 1 Total)	18	24	16	20	158	236	508	6	750
		· DA/OA Trunks (not included in Item 1 Total) ***	64	0	84	85	725	958	4	18	980
		· CLECs using Directory Assistance Service (Note 2)	9	12	16	10	100	117	Data Not Available	Data Not Available	
		· CLECs using "0" Call Completion Service (Note 2)	9	12	16	10	99	116	Data Not Available	Data Not Available	
		· Are CLECs offered E-911 service directly to government bodies or interconnecting with SBC's existing service arrangements?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
		Number of Facilities Based CLEC End User E-911 Listings (MOKA a/o 7/8/98) · Residence	427	2	50	99	4,312	4,890	Res/Bus Split		4,890
		· Business	10,720	2,051	4,044	17,347	54,770	88,932	Not Available		88,932
		· Total	11,147	2,053	4,094	17,446	59,082	93,822	261,051	13,048	367,921
8	White pages directory listing for customers of other carrier's telephone exchange service.	**Number of CLEC End User White Pages Listings** · Resale	13,195	43,230	19,168	19,106	219,786	314,485	164,960	617	480,062
		· Facilities Based	589	297	1,008	927	3,531	6,352	14,577	891	21,820

SBC's Section 251 / Checklist Provisioning Status

	numbers for assignment to the other carrier's	· Numbers Assigned	140,000	100,000	970,000	390,000	7,700,000	9,300,000	13,360,000	30,000	22,690,000
	telephone exchange service customers.	· Numbers Pending Assignment	0	0	0	30,000	670,000	700,000	1,470,000	0	2,170,000
10	Nondiscriminatory access to databases and associated signaling necessary for call routing and completion.	Access to 800, Line Information Database (LIDB), Calling Name Delivery Database (CNAM), and SS7 Signaling Network Available?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
11	Interim number portability through	**Numbers Ported to CLECs via INP**									
	RCF or DID trunks. Each line ported	· Residential Lines	5	0	2	0	50	57	0	0	57
	represents conversion of an existing line from	· Business Lines	2,441	1,045	2,045	11,520	23,953	41,004	35,768	7,643	84,415
	SBC to a facilities-based provider.	· Total	2,446	1,045	2,047	11,520	24,003	41,061	35,768	7,643	84,472
12	Nondiscriminatory access to services and information required to allow	· Are additional access codes or digits needed to complete local calls to or from CLEC customers?	No	No	No	No	No	No	No	No	No
	implementation of dialing parity.	· IntraLATA toll dialing parity available concurrent with SBC's provision of interexchange service?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
13	Reciprocal compensation arrangements.	**Local and EAS Minutes of Use Exchanged Over**									
	(Note 4) ****	**Interconnection Trunks Since 1/1/97 (In Millions)**									
		· From SBC to CLEC	29.1	0.4	43.4	148.2	271.0	492.1	2,964.5	26.3	3,482.9
		· From CLEC to SBC (CA - does not incl. Jan-98)	6.7	0.0	0.3	12.5	256.8	276.3	582.0	0.0	858.3
		· Total	35.8	0.4	43.7	160.7	527.8	768.4	3,546.5	26.3	4,341.2
		Local and EAS Minutes of Use Exchanged Over									
		Interconnection Trunks in May 1998 (In Millions)									
		· From SBC to CLEC	2.4	0.1	1.1	10.6	14.0	28.2	Not Available	3.4	31.6
		· From CLEC to SBC	0.0	0.0	0.3	1.6	38.0	39.9	50.3	0.0	90.2
		· Total	2.4	0.1	1.4	12.2	52.0	68.1	50.3	3.4	121.8
		Local and EAS Minutes of Use Exchanged Over									
		Interconnection Trunks in June 1998 (In Millions)									
		· From SBC to CLEC	2.3	0.1	9.9	14.2	28.1	54.6	62.8	4.1	121.5
		· From CLEC to SBC	0.1	0.0	0.0	0.0	15.9	16.0	63.5	0.0	79.5
		· Total	2.4	0.1	9.9	14.2	44.0	70.5	126.3	4.1	200.9
14	Offering for resale at wholesale prices	**Resold Access Lines**									
	any telecommunications services	· Business Lines (Simple and Complex)	1,377	27,287	8,532	4,382	77,649	119,227	115,778	1,570	236,575
	offered at retail to subscribers who	· Private Coin Lines	0	7	52	27	11,505	11,591	8,901	0	20,492
	are not *themselves* carriers.	· Residential Lines	13,211	22,971	13,935	17,019	195,089	262,225	130,332	338	392,895
		· Total	14,588	50,265	22,519	21,428	284,243	393,043	255,011	1,908	649,962

Note 1: CA and NV data updated quarterly. CA Total Feet of Duct Occupied reflects both IXC and CLEC facilities.

Note 2: SWBT total counts each CLEC once, although it may appear in multiple states and as both a facilities based and resale provider.

Note 3: Each NXX Code equals 10,000 telephone numbers.

Note 4: Totals do not include disputed Internet minutes of use. However, the fact that over 9.93B minutes of Internet traffic have been exchanged between SBC and CLEC networks in 1997 and 1998 also demonstrates that SBC's networks have been opened to competition. SWBT 1997 and 1998 totals include only Local and Optional EAS traffic. PB 1997 totals also include intraLATA toll.

* CA reflects actual number of cages. By SWBT *methodology, operational* physical collocation would be 233 (counting CLECs in a given wire center only once).

** CA Order Volumes include resale activity only (not facilities based orders).

*** KS does have OA/DA trunks, but they appear in MO as they serve both MO and KS.

**** Represents only that traffic for which originating records have been exchanged.

CLECs with Certifications (a/o 7/20/98)		AR	KS	MO	OK	TX	SWBT's 5 States	CA	NV	SBC TOTAL
	· Number Approved	23	55	41	40	164	323	117	60	500
	· Number Pending	22	6	17	18	9	72	29	2	103
CLEC Interconnection Agreements (a/o 7/20/98)										
	· Number Signed (Resale, FB, & Combo)	39	44	45	44	146	318	40	16	374
	· Number Approved (Resale, FB, & Combo)	30	29	27	18	118	222	32	13	267
	· Number of Arbitrations Completed	1	3	3	1	11	19	4	0	23
	· Number of Arbitrations In Progress	1	0	0	0	1	2	0	1	3
	· Number Under Negotiation (Resale, FB, & Combo)	69	68	82	72	149	440	61	38	539

PACIFIC BELL IMPROVEMENTS

Opening the door to local competition required Pacific Bell to make major changes to its operation support systems ("OSS") to accommodate expected CLEC competition and to satisfy standards established by the CPUC. The development of new systems and processes for local competition was a monumental task. The process of opening the local market is a highly complex endeavor that requires Pacific to share its facilities in ways never tried before, and in a manner for which the systems were not originally designed and developed. Such efforts required unprecedented degrees of cooperation and coordination with competitors. Not only has Pacific had to establish processes and systems with which to make its own products and services available to wholesale customers for resale to their end-users, it has had to develop and deliver an entirely new product set – unbundled network elements – that had no analogous service on the retail side. Making these wholesale products and services available to wholesale customers required an enormous amount of retrofitting of Pacific's own systems, as well as the development of complex and intricate new systems and processes. (To provide some perspective, it typically takes

approximately 12 to 18 months to move a single product from the conceptual stage to market in the retail environment. In order to meet its obligations under the Act and the resulting regulatory decisions, Pacific was required to design and implement hundreds of new products and services simultaneously.)

This process was further complicated by the fact that the regulations and requirements were not defined when Pacific began undertaking efforts to make wholesale products available. Pacific was developing systems and processes while interconnection agreements were still being negotiated and arbitrated, and before the regulatory bodies had defined the exact scope of Pacific's obligations. In addition, the system developments and modifications were extremely difficult to manage because they touched upon so many systems concurrently, i.e., pre-ordering, ordering, provisioning, maintenance, and billing systems. A system change can be readily managed when one or two systems will be affected. But when multiple systems are being developed or modified at the same time, the effort it takes to maintain a reliable network that can accept and understand all the integrated system changes is enormous. Moreover,

within a single system or application, there is a practical limitation in the number of programmers that can simultaneously redesign and manipulate the software without corrupting or deteriorating the integrity of the software code. Additionally, the skilled experts who were responsible for working with wholesale customers to design and develop systems had to stretch their responsibilities to cover the enormous amount of incremental work that was necessary for opening Pacific's network. (The additional responsibilities could not be readily absorbed by adding personnel from external sources, as the development work required substantial industry and company-specific expertise.)

As stated, one factor that contributed to the challenge in developing effective systems was that Pacific was designing and developing systems well ahead of the establishment of national standards, and ahead of the FCC's decisions defining the lengths to which the incumbents would have to go to make their network available to wholesale customers. One significant example of how these early efforts ultimately hindered Pacific's performance revolves around the billing system selected by the CLECs for resale

services. Pacific had interpreted the early CPUC decisions as requiring Pacific to make only POTS-like services available for resale. Before Pacific's obligations had been defined, and acting in accordance with that interpretation, Pacific agreed to bill certain services to wholesale customers through Pacific's Carrier Access Billing System ("CABS"), rather than through the Customer Record Information System ("CRIS") used for retail products.[1] Wholesale customers apparently requested CABS-like billing because it would be compatible with the systems they used to accept Pacific's billing for access services. Pacific did not object at the time because Pacific believed it could support CABS billing in a simple POTS-like environment. However, this decision would prove to have significant consequences. Once the regulatory bodies defined the extent to which Pacific would have to make its services available to CLECs, Pacific had already committed itself to CABS, and in some instances, had been required through arbitration to include CABS for more complex products. The requirement to

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[1] Pacific believes it was the only local exchange carrier in the country that agreed to bill the CLECs out of CABS for resale. Pacific moved CLEC resale billing from CABS to CRIS in May 1998. By moving to CRIS, Pacific is able to offer the same mass market system and ordering capability that it uses to serve its own retail end users.

bill CLECs through CABS for a robust offering of resale services required Pacific to redesign each retail product available for resale for the CABS environment. The intensity and complexity of effort required to make that conversion contributed substantially to the delay in the implementation of mechanized systems.

The use of CABS to bill local wholesale customers posed other operational challenges for Pacific. During the first several weeks after MCI began submitting a substantial amount of orders, CLEC end-user customers suffered dial-tone loss during the migration process.

To understand why this occurred, it is necessary to explain how the "two-order" migration process evolved. As discussed above, Pacific bills its retail customers out of CRIS. In order to bill the local wholesale customers out of CABS for resale, as they requested, it is necessary during the migration process to first remove the migrating customer from Pacific's billing system, CRIS, before re-entering the customer into CABS. This requires that two orders be entered into SORD (Pacific's order provisioning system): one order takes the customer out of CRIS and issues a final bill to the customer for retail services; the second order enters

the customer into CABS. If the two orders become disassociated, and one order is worked but the other is not, the customer could experience loss of dial tone.

At the inception of resale, certain orders became disassociated from each other. Because resale was a new line of business, some of Pacific's employees had not yet had the opportunity to become familiar with the FID (field identifier) on the resale orders that linked the two orders together. (The FID, in effect, is a cross reference between the two orders.) As a result, the disconnect order removing the account from CRIS was at times processed independently from the change order establishing the customer in CABS, and certain migrating customers consequently experienced loss of dial tone.

Immediately upon identifying the source of this issue, Pacific undertook efforts to improve its processes and train its employees to minimize the potential for loss of dial tone, including:

- Making changes to desk-top systems automation;
- Doing additional training in downstream departments to help them identify the types of errors that result in dial-tone loss;

- Establishing a dedicated provisioning center for wholesale ordering;
- Doing additional downstream training for order processing; and
- Altering the FID structure on the service order to reduce order processing errors.

With these improvements, the disconnect issues were dramatically improved by first quarter 1997, and while there were still isolated incidents of loss of dial tone, improved procedures and quality controls, on both Pacific's and the local wholesale cusomters' side, reduced such instances to near *de minimus* levels by mid-year 1997.

OPERATIONS SUPPORT SYSTEMS

To provide CLECs a ready point of entry for direct electronic access to OSSs, SBC established Remote Access Facilities for both the SWBT and Pacific Bell/Nevada Bell regions that accommodate either dial-up or private-line connections. Using these facilities, wholesale customers are able to accomplish transactions with the same level of mechanized processing as SBC retail service personnel.

SBC's Help Desks assist local wholesale customers with any questions or problems they encounter while electronically accessing OSS functions, 24 hours per day, 7 days per week. On-line help menus are included on most systems and additional reference material is available as well. The vast majority of local wholesale customer calls to the Help Desk request SBC's assistance in resolving problems that have been caused not by any deficiency in SBC's systems, but rather by easily corrected problems at the wholesale customer's end of the interface.

SBC has made special efforts to encourage local wholesale customers to utilize electronic interfaces for their transactions. For instance, SBC offers local wholesale customers throughout its region, free evaluation

and "live" access periods of 90 days each, so that local wholesale customers can become familiar with the interfaces before committing to them. For each electronic interface, SBC provides local wholesale customer representatives extensive training, workshops and written materials that allow them to submit complete and valid service orders. SBC likewise has verified through internal as well as independent, third-party testing, that, as local wholesale customers shift their manual orders to electronic interfaces, those interfaces will be capable of handling high volumes of transactions efficiently.

LOCAL WHOLESALE CUSTOMER EDUCATION

SBC has devoted considerable time and resources to develop educational courses and materials to assist CLECs to enter SBC's local markets.

Small class size (maximum of 12) and in-class exercises enables SBC's instructors to ensure a quality learning experience and level of understanding for each local wholesale customer student. Overall satisfaction rating on our workshops and OSS classes is 98 percent with as many as 90 percent of the students rating our sessions either "extremely" or "very" satisfactory.

SBC has absorbed development costs for its workshops and classes and its financial commitment to local wholesale customer education has grown from nearly $1 million in 1997 to approximately $3 million in 1998. We already offer nine workshops and 16 OSS classes totaling 82 class days and the number continues to grow. We develop new workshops as issues are identified. In addition to instructor guides, student workbooks and reference materials presented to students in class, local wholesale customer workshop and OSS class participants are provided the material on computer disk to enable their training personnel to easily adapt the

material and train their service representatives to meet their customer care and business plan needs. Updated job aids and user guides from the OSS classes are available, on-line, to the local wholesale customers that subscribe to our OSSs.

To make updated reference material and other information easily accessible to each local wholesale customer's personnel, SBC has created an Internet website (http://www.clechb.com) that includes many useful resources. The website provides electronic access to our CLEC Handbook (updated weekly as necessary); Accessible Letters that notify local wholesale customers of the introduction of new telecommunications services, timely information on the introduction of new service promotions available for resale; and reference material for ordering of resold services, unbundled network elements, interconnection and local number portability.

Many of the reference materials used in SBC's local wholesale workshops and classes are included on the website including the CLEC Handbook, Local Service Ordering Requirements, Guidelines for Local Interconnection, Directory Matters Reference Guide, and USOC manual. Our

local wholesale handbooks, workshops, classes, and reference materials are continually evolving to ensure that all of our local wholesale customers have timely and accurate resources to implement their interconnection and resale agreements and begin providing services to their end users. Potential local wholesale customers have access to a section of the website that provides information on how to become a CLEC in our serving areas. Information provided includes contacts for each state commission and an overview of the local certification process; descriptions of resale, UNE and interconnection options; how to initiate negotiations; and, the name and telephone numbers of the various customer service centers that interface with our local wholesale customers.

A videotape, "Future Communications: A Brief Overview of Working with Southwestern Bell, Pacific Bell and Nevada Bell Telephone Companies to Provide Local Telephone Service," also was developed in 1998 by SBC and is provided to potential local wholesale customers.

In addition to the website, video, formal workshops and OSS classes which are available, internal work groups provide one-on-one assistance to our local wholesale

customers. For instance, SWBT managers in our Carrier Relations organization work with new facilities-based local service providers and their vendors to learn how to accurately complete records necessary for industry-wide intercompany compensation. In this way, we help our customers fulfill their obligations under state rules for exchange of local and toll message billing records and compensation among various primary exchange carriers.

PROCESS IMPROVEMENTS MADE BY SBC

The following discusses examples of process improvements that have been instituted in SBC's operations to better meet local wholesale customer needs and expectations:

Fixed Order Confirmations

In early 1997 Pacific Bell's RLSC experienced delays in returning firm order confirmations ("FOCs")on orders for resold service. Pacific Bell addressed the missed confirmations by introducing systems for tracking faxed orders and for submitting orders electronically. For 1998, year-to-date, FOCs were issued within 4 hours of an electronic order nearly 100 percent of the time.

Billing System and Operational Support System Improvements

In May of 1998, Pacific Bell commenced its conversion from the Carrier Access Billing System ("CABS") to the Customer Record Information System ("CRIS") for resale orders, in conjunction with the introduction of new electronic interfaces. CRIS is the billing system used by Pacific Bell for its retail operations. This change addressed root-cause ordering, provisioning, and billing problems experienced by California CLECs during 1996 and